

## Message Text

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PAGE 01 GENEVA 03259 01 OF 02 021710Z

41

ACTION EB-11

INFO OCT-01 IO-13 ADP-00 AF-10 ARA-11 EA-11 EUR-25 NEA-10

RSC-01 OMB-01 TAR-02 AGR-20 AID-20 CIAE-00 COME-00

INR-10 LAB-06 NSAE-00 OIC-04 SIL-01 STR-08 TRSE-00

CIEP-02 CEA-02 L-03 PA-03 PRS-01 USIA-12 SS-15 NSC-10

RSR-01 /214 W

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TO SECSTATE WASHDC 150

INFO USMISSION OECD PARIS

LIMITED OFFICIAL USE SECTION 1 OF 2 GENEVA 3259

E.O.11652: N/A

TAGS: UNCTAD, EFIN, OECD, DAC

SUBJECT: MEETING OF GOVERNMENTAL EXPERTS ON AID TARGETS

BEGIN SUMMARY: MEETING OF GOVERNMENTAL EXPERTS ON CONCEPTS OF PRESENT AID AND FLOW TARGETS JUNE 26-29 TENDED TO BE TYPICAL UNCTAD-TYPE CONFRONTATION. PRINCIPAL TECHNICAL ISSUE DEBATED WAS WHETHER TO DEDUCT INTEREST PAYMENTS FROM ODA AND TOTAL FLOWS. POLITICAL ISSUE WAS INJECTED BY AFRICANS WHO INSISTED THAT FLOWS INTO OVERSEAS TERRITORIES FROM PORTUGAL SHOULD NOT BE RECOGNIZED. AT CONCLUSION OF SESSION EXPERTS FROM GROUP OF 77 COUNTRIES PLUS SWEDEN PRESENTED WRITTEN STATEMENT OUTLINING THEIR VIEWS. STATEMENT WILL BE TAKEN INTO CONSIDERATION BY SEC GEN WHEN HE MAKES ORAL REPORT TO CIFT. END SUMMARY

1. ACTIVE PARTICIPANTS IN EXPERTS MEETING WERE ALGERIAN, FRG, BRAZIL, US, JAPAN, MEXICO, NIGERIA, NETHERLANDS, UK, SENEGAL AND SWEDEN. COLUMBIA, INDIA, USSR AND PHILIPPINES ATTENDED BUT SPOKE LITTLE. MEXICO  
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PAGE 02 GENEVA 03259 01 OF 02 021710Z

AND NIGERIA LED REPRESENTATIVES FROM GROUP OF 77.

OECD SECRETARIAT REPRESENTED BY WELLS, UNCTAD BY DELL AND IBRD BY HAYS. SWEDISH DELEGATE FELL INTO LOCK STEP WITH GROUP OF 77 ON ALL ISSUES, WITH NETHERLANDS DELEGATE NOT FAR BEHIND. MOST DELEGATES FROM GROUP 77 COUNTRIES WERE FROM PERMANENT GENEVA DELEGATIONS AND HAD LITTLE FAMILIARITY WITH AID CONCEPTS. CHAIRMAN ELECTED FROM GROUP WAS PAUL BLANC, FRANCE, WHO COMMENTED EXTENSIVELY DURING DEBATE.

2. MEETING WAS OPENED BY UNCTAD SEC GEN PEREZ-GUERRERO WHO REVIEWED ISSUES RAISED IN BASIC DOCUMENT TD/B/C.3/108, TD/B/C.3/AC.7/2 AND LEFT DELEGATES WITH A NUMBER OF QUESTIONS WHICH HE BELIEVED NEEDED ANSWERING. DISCUSSION REVOLVED MAINLY AROUND FOLLOWING TOPICS:

(A) USEFULNESS OF ONE-PERCENT TARGET. EXPERTS FROM DEVELOPING COUNTRIES/DEPRECATED ONE PERCENT TARGET SINCE IT INCLUDES FLOWS WHICH ARE MOTIVATED BY PROFIT. IF TARGET MAINTAINED, PRIVATE FLOWS SHOULD BE ELIMINATED, OR AS A MINIMUM ALL REFLows OF INTEREST AND DIVIDENDS SHOULD BE DEDUCTED FROM TOTAL. PRESENT FIGURES GIVE FALSE IMPRESSION OF AMOUNT OF AID PROVIDED. ONE PERCENT TARGET DEFENDED VIGOROUSLY BY UK EXPERT AND WITH LESS ENTHUSIASM BY US, FRG AND FRANCE.

(B) TARGET FOR ODA. ALL SPEAKERS FROM DEVELOPING COUNTRIES EMPHASIZED NEED TO INCREASE ODA, AND IMPROVE ITS TERMS, SINCE THIS IS ONLY PART OF TOTAL FLOW WHICH REPRESENTS ACT OF POLITICAL WILL ON PART OF DONORS. HOWEVER, PRESENT METHOD OF COMPUTATION UNSATISFACTORY SINCE TOTAL IS NOT REDUCED BY AMOUNT OF INTEREST PAID BY BORROWERS ON PREVIOUS LOANS. BOTH SWEDEN AND NETHERLANDS AGREED THAT INTEREST PAYMENTS SHOULD BE DEDUCTED IN ORDER TO OBTAIN FIGURE REPRESENTING TRANSFER OF REAL RESOURCES. US, UK, FRG AND FRANCE ARGUED THAT PRESENT DEFINITION DEFENSIBLE SINCE IT INVOLVED ONLY CAPITAL FLOWS AND THAT DEDUCTING NON-CAPITAL ITEMS WOULD COMPLICATE PROBLEM OF ACHIEVING UNDERSTANDING AND ACCEPTANCE OF TARGET. DELL OF UNCTAD SECRETARIAT, WHILE NOT COMMENTING ON THIS POINT DIRECTLY, LEFT NO DOUBT THAT HIS SYMPATHIES LIMITED OFFICIAL USE

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PAGE 03 GENEVA 03259 01 OF 02 021710Z

WERE WITH THOSE WHO WISHED TO DEDUCT INTEREST REFLows.

(C) FUTURE DISCUSSIONS ON TARGETS. EXPERTS FROM DEVELOPING COUNTRIES MADE A NUMBER OF COMMENTS WHICH REVEALED THEIR SKEPTICISM ABOUT DAC FIGURES AND THEIR SUSPICION THAT DAC RULES ON REPORTING ARE DRAWN UP TO MAKE DONOR PERFORMANCE LOOK BETTER THAN IT ACTUALLY IS. THEY WANT FUTURE DISCUSSION OF CONCEPTS AND STATISTICAL

METHODS TO BE HELD IN A FORUM WHICH INCLUDES BOTH DEVELOPED AND DEVELOPING COUNTRIES. WHILE EXPERT GROUP NOT EMPOWERED TO PERPETUATE ITSELF, LIKELY THAT SEC GEN IN ORAL REPORT TO CIFT WILL INTERPRET SENSE OF MEETING AS BEING THAT SUBJECT SHOULD BE PURSUED BY UNCTAD AND ASK FOR AUTHORITY CONVEY FURTHER MEETINGS OF GROUP. EXPERTS FROM DAC COUNTRIES RECOGNIZED THAT TARGETS WILL BE SUBJECT FOR CONSIDERATION UNDER DD II REVIEW AND APPRAISAL IN ANY EVENT, AND CONSENSUS WAS THAT FURTHER DIALOGUE BETWEEN DEVELOPED AND DEVELOPING COUNTRIES UNDER SOME WING OF UN SYSTEM UNOBJECTIONABLE.

(D) GEOGRAPHICAL COVERAGE OF FLOWS. DELL FROM UNCTAD SEC AND WELLS FROM DAC SEC REPORTED THAT PRELIMINARY TALKS HAD BEEN HELD ON RECONCILING UNCTAD AND DAC HANDLING OF STATISTICS AND THAT AGREEMENT REACHED ON WHAT SHOULD BE DONE. CONSENSUS QUICKLY EMERGED THAT SECRETARIATS SHOULD CONTINUE CONTACTS AND MAKE SPECIFIC RECOMMENDATIONS TO

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PAGE 01 GENEVA 03259 02 OF 02 021731Z

41

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R 021335Z JUL 73

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TO SECSTATE WASHDC 151

INFO USMISSION OECD PARIS

LIMITED OFFICIAL USE SECTION 2 OF 2 GENEVA 3259

FUTURE MEETINGS ON BOTH SIDES. NIGERIAN EXPERT MADE LONG EMOTIONAL INTERVENTION CONTENDING THAT PORTUGAL

FLows TO ITS OVERSEAS TERRITORIES SHOULD BE DISALLOWED. THIS JUSTIFIED BOTH ON GROUNDS THAT DURING INSURGENCY SITUATION RELIABLE STATISTICS NOT AVAILABLE AND ON GROUNDS THAT THESE INTERNAL NOT EXTERNAL FLOWS. SWEDISH EXPERT SUPPORTED THIS VIEW AS DID MOST DEVELOPING COUNTRY EXPERTS EXCEPT BRAZIL, WHO RECOMMENDED THAT PROBLEM BE STUDIED BY SECRETARIATS.

E) DEFINITION OF ODA. NETHERLANDS EXPERT PROPOSED THAT GRANT ELEMENT THRESHOLD FOR ODA BE RAISED TO 50 PERCENT AND WAS QUICKLY SECONDED BY SWEDEN. US COMMENTED THAT 25 PERCENT PROBABLY TOO LOW. UK AND JAPAN THOUGHT IT HIGH ENOUGH. SINCE FEW EXPERTS FROM DEVELOPING COUNTRIES UNDERSTOOD IMPLICATIONS OF THRESHOLD, FEW COMMENTED. INDIAN EXPERT EXPRESSED VIEW THAT 10 PERCENT DISCOUNT RATE USED IN COMPUTING GRANT ELEMENT TOO HIGH AND PROPOSED IT BE REDUCED TO 7 OR 8 PERCENT.

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PAGE 02 GENEVA 03259 02 OF 02 021731Z

F) STATEMENT SUBMITTED BY DEVELOPING COUNTRIES. TOWARD END OF SESSION, MEXICAN EXPERT INTRODUCED ON BEHALF GROUP OF 77 AND SWEDEN A THREE-PAGE STATEMENT CONTAINING THEIR VIEWS. STATEMENT LARGELY UNOBJECTIONABLE SINCE IT WAS MOSTLY GENERALITIES, BUT IT DID CONTAIN STATEMENTS URGING DEDUCTION INTEREST PAYMENTS AND DEPRECATING PRIVATE FLOWS. ALTHOUGH MEXICAN EXPERT HOPED PAPER WOULD STIMULATE FURTHER DEBATE, EXPERTS FROM DAC COUNTRIES (EXCEPT SWEDEN) INSISTED THAT IT SIMPLY BE NOTED AS EXPRESSING VIEWS CERTAIN DELEGATES AND NOT CONSIDERED PAPER FOR DISCUSSION. COPY BEING POUCHED.

10. COMMENT: MOST EXPERTS REPRESENTING DEVELOPING COUNTRIES WERE DRAWN FROM PERMANENT GENEVA DELEGATIONS AND LEVEL OF FAMILIARITY WITH TECHNICAL ASPECTS OF PROBLEM WAS LOW. COMMENTS INDICATED THAT MANY PARTICIPANTS UNFAMILIAR WITH PRESENT TERMS AND USAGES. THEREFORE THOSE EXPERTS TENDED TO FALL BACK ON FAMILIAR POLITICAL THEMES, AND POLARIZATION OF GROUP BETWEEN REPRESENTATIVES OF 77 AND OTHERS CAME QUICKLY, WITH CONTENT OF INTERVENTIONS FROM DEVELOPING COUNTRIES PREDICTABLE.

ONE CLEAR THEME WHICH EMERGED FROM MEETING WAS DETERMINATION OF DEVELOPING COUNTRIES AS A GROUP TO FORCE REVISION OF STATISTICS TO EXCLUDE INTEREST PAYMENTS FROM BOTH ODA AND TOTAL FLOWS. DEDUCTION OF DIVIDEND PAYMENTS FROM ONE PERCENT TOTAL SEEMED TO HAVE SOMEWHAT LESS SUPPORT, BUT WILL PROBABLY BE USED AS A BARGAINING POINT.

HAVING ALREADY SUCCEEDED IN GETTING THE DENOMINATOR OF THE FRACTION WHICH MEASURES DONOR PERFORMANCE

ENLARGED BY SWITCHING FROM GROSS NATIONAL INCOME TO GROSS  
NATIONAL PRODUCT (AND THUS RAISING THE TARGET BY 25 PERCENT),  
THE STRATEGY NOW IS TO REWRITE THE RULES SO THAT THE  
NUMERATOR BECOMES SMALLER. THE AIM APPARENTLY IS TO GET  
BOTH THE ODA AND ONE PERCENT TARGETS TIGHTENED UP AT THE  
MID-TERM REVIEW OF THE DD II STRATEGY--DESPITE THE  
FACT THAT MAJOR DONORS HAVE NOT YET ACCEPTED THE ODA  
TARGET AS IT IS PRESENTLY, AND MORE LOOSELY, DEFINED.BASSIN

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**TAGS:** EFIN, UNCTAD, OECD, DAC  
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